

Aviation Briefing Sheet

Item Number: Enter Agenda Item Number; note if item is on Pay Ordinance

Item Title: Request to Issue Northwest Air Cargo Development

Council Agenda Date: TBD

Subject Matter Expert: Thomas Sawyer

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Request:

This report requests the Phoenix City Council to issue Northwest Air Cargo Development Revenue Contract Solicitation (RCS) to solicit a developer to redevelop approximately 1,219,680 square feet (approximately 28 acres) within the northwest corner of Phoenix Sky Harbor International Airport (PHX) into an air cargo development.

Background:

The northwest corner at PHX currently consists of corporate hangars, executive hangars, t-hangars, covered tie-downs, and other buildings. Most of the buildings in this area are at their end of life, including the aircraft apron/ramp.

Air cargo facilities at PHX are currently at 100% occupancy. Multiple West Air Cargo tenants have requested additional space to support current and future needs.

In October 2021, the Aviation Department (AVN) issued a Request for Information (RFI) to potential users and developers for possible redevelopment ideas for this aging infrastructure and underutilized land in the northwest corner. The RFI received six responses: three for corporate hangars and maintenance, repair, and overhaul hangars; and three for air cargo development.

AVN is now seeking a qualified developer to develop approximately 28 acres for air cargo, including air cargo buildings (warehouse), aircraft aprons, and supporting structures. The successful respondent will enter into a ground lease with AVN.

Procurement Information

The goals of the Revenue Contract Solicitation are to select a Respondent with extensive experience to design, finance, build, operate/lease and maintain a best-in-class air cargo facility.

AVN will conduct an RCS to select a successful respondent. Responsive and responsible respondents will be evaluated according to the following evaluation criteria:

- Qualifications and Experience
- Experience of Key Personnel
- Method of Approach to Design, Build, and Operate an Air Cargo Facility
- Proposed Design Concepts
- Sustainability

The highest-ranked respondent will be recommended for the award of a ground lease.

The City's Transparency Policy will be in effect when the RCS is released and throughout the RCS process.

The RCS process will include all standard and required outreach efforts and will conduct targeted outreach efforts to attract interest for each of these unique contracting opportunities.

Contract Term and Extension Options:

The term of the contract will be 30 years with one ten-year option to extend at the sole discretion of the Director of Aviation Services.

Financial Impact:

Current rent for undeveloped land at PHX is \$1.05 per square foot. Annual revenue for this ground lease will be approximately \$1,280,664 per year. Rent adjustments shall increase (but never decrease) beginning on the three-year anniversary of rent commencement and then continuing on every three-year anniversary thereafter. Rent will be adjusted upward according to the Consumer Price Index (CPI) for Phoenix-Mesa-Scottsdale or three percent, whichever is greatest. Total anticipated rent over the term of the ground lease will be approximately \$38,419,920.

Questions or Concerns:

Q: What are the desired outcomes from this solicitation?

A:

- Provide the City with a new best-in-class air cargo facility to meet the growing demand of the air cargo industry at PHX.
- Select an experienced and capable Respondent with demonstrated ability to design, finance, and build an air cargo facility.
- Have an esthetically pleasing overall design, including buildings, landscape area, access roads, signage, etc. that revitalizes this area of PHX and the surrounding neighborhood.
- Select an experienced Respondent capable of managing all ongoing operations and maintenance of the air cargo facility.
- Select Respondents, including subtenant(s) and/or joint venture partner(s) (if any), who have experience in the successful operation of other air cargo facilities.
- Select Respondents based on the entire Response.

Q: What about evaluation criteria?

A: Responsive and responsible Respondents will be evaluated according to the following evaluation criteria:

- Qualifications and Experience (300 points)
- Method of Approach to Design, Build and Operate an Air Cargo Facility (250 points)
- Proposed Design Concepts (200 points)
- Sustainability (150 points)
- Experience of Key Personnel (100 points)

***Points subject to change**

Q: What are the Sustainability Goals:

A: Responses will be evaluated on the Respondent's commitment to sustainability in the design, building, and operation of the air cargo facility, including the use of sustainable materials and design concepts that meet, or exceed, LEED Silver Certification.